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GOVERNOR

STATE OF MICHIGAN
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

MICHAEL R. DEVOS
EXECUTIVE DIRECTOR

MEMORANDUM

November 26, 2007

TO: Management Agents of Section 8 and 236 Project-Based Properties
Management Agents of Multifamily Assisted Properties

FROM: Margaret Zakrzewski, Federal Contracts Manager
Contract Administration/Office of Asset Management

Sherri Davio, Compliance Manager
Office of Legal Affairs

SUBJECT: Implementation of Handbook 4350.3 REV-1, Change 2 dated June 29, 2007

This Memorandum outlines implementation requirements related to the recently revised HUD Handbook 4350.3 REV-1, Change 2, issued June 29, 2007. Included are **Exhibit A** – HUD Handbook 4350.3 Rev-1, Change 2 Implementation Guidelines; **Exhibit B** - HUD Handbook 4350.3, REV-1 Change 2 Handbook Highlights and **Exhibit C** – MSHDA Summary of Certain New Policies-HUD Handbook 4350.3 Rev-1, CHG 2. There are also **seven Leases** containing modifications to include language updating Michigan's Provisions that are not attached. In addition, the Section 8 Lease has been modified to include paragraph 23.A from the June 2003 HUD Lease that requires the tenant to provide a 30 day notice to vacate. The leases are currently at HUD's Legal Division for review and approval.

These changes apply to all multi-family housing developments that fall under one of the following MSHDA categories:

- Performance-based HUD Section 8 contract administered;
 - Paid-off MSHDA mortgages, Section 8 subsidy administered only;
 - MSHDA-financed HUD Section 8 and Section 236;
 - MSHDA Direct Loan projects (funded under tax-exempt and taxable bond financing programs, including One Percent, 80/20, 70/30, TEAM and Home Team Advantage);
 - Pass-Through and Modified Pass-Through;
 - Stand-Alone HOME Projects;
 - NPP Projects; and
 - Low Income Housing Tax Projects (LIHTC).
- (*Note – For LIHTC developments with no MSHDA or HUD financing, changes in procedures for determining and verifying household income apply)

The purpose of this correspondence is twofold: 1) to affirm the implementation schedule set forth by HUD and 2) to clarify what MSHDA and HUD will be expecting from each Managing Agent as you begin to implement these revisions.



Item-by-Item Clarification

On November 2, 2007, MSHDA, its subcontractors, and representatives from the Detroit Multi-Family HUD Office met to determine a reasonable and consistent application of these changes. The result of our discussion is found in the following attachments.

- **Exhibit A - HUD Handbook 4350.3 Rev-1, Change 2 Implementation Guidelines** - Contains the following sections:
 - Part 1: Change 2 Clarifications,
 - Part 2: Change 2 Policy Changes, and
 - Part 3: HUD Clarifications.
- **Exhibit B - HUD Handbook 4350.3 REV-1, Change 2 Handbook Highlights** - Contains new changes that will be required of all Agents and Owners for your on-site management reviews and tenant file reviews.
- **Exhibit C - MSHDA Summary of Certain New Policies-HUD Handbook 4350.3 REV-Chg. 2** - Contains a summary of certain changes that may affect the calculation of annual income.
- **Seven leases** (not attached) containing the Michigan provisions and language modifications. HUD's legal department must approve the leases before owner/agent can implement their use. You will need to check the MMAM and HUD websites periodically to see if the leases have been approved.

Timely implementation of these 4350.3, Change 2 changes will be required, without exception. MSHDA believes training and a reasonable time period or transition period is essential for proper implementation. **Accordingly, until January 1, 2008, no adverse findings will be noted** when MSHDA staff or their subcontractors are on site to perform reviews. However, non-compliance of these 4350.3, Change 2 changes will be discussed with the Agent to ensure appropriate implementation.

The implementation process began on June 29, 2007 for all changes, except those specifically noted in Exhibit A attached. However, the revisions require full and accurate compliance by **January 1, 2008**.

Please review the accompanying information carefully to ensure a successful and timely implementation. If you have any questions, please contact us according to our areas of responsibility.

Margaret Zakrzewski at 517.335.6020 zakrzewskim@michigan.gov

- Performance-based HUD Section 8 contract administered;

Jan Zanetti, at 517.241.2043 zanettij@michigan.gov

- Paid-off MSHDA mortgages, Section 8 subsidy administered only;
- MSHDA-financed HUD Section 8

Sherri Davio, Compliance Division at 517.241.2560 Davios@michigan.gov;

- MSHDA-financed HUD Section 236;
- MSHDA Direct Loan projects (funded under tax-exempt and taxable bond financing programs, including One Percent, 80/20, 70/30 and TEAM and Home Team Advantage);
- Pass-Through and Modified Pass-Through;
- Stand-Alone HOME Projects;
- NPP Projects; and
- Low Income Housing Tax Projects (LIHTC).

Your cooperation is appreciated.

Attachments:

- Exhibit A – HUD Handbook 4350.3 Rev-1, Change 2, Implementation Guidelines
- Exhibit B – HUD Handbook 4350.3 Rev-1 Change 2, Handbook Highlights
- Exhibit C – MSHDA Summary of Certain New Policies-HUD Handbook 4350.3 Rev-1, CHG 2.